

UNION COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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UNION COUNTY

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------|----------------------|------------------------------------|
| Tom McCann | Board of Supervisors | Jan. 2011 |
| Michael J. King | Board of Supervisors | Jan. 2011 |
| Ron Riley | Board of Supervisors | Jan. 2011 |
| Robert G. Brown | Board of Supervisors | Jan. 2009 |
| Donald W. Irelan | Board of Supervisors | Jan. 2009 |
| Sandy Hysell | County Auditor | Jan. 2009 |
| Linda Marley | County Treasurer | (Resigned June 1, 2008) |
| Kelly Busch | County Treasurer | (Appointed June 5, 2008) Jan. 2011 |
| Paula White | County Recorder | Jan. 2011 |
| Rick L. Piel | County Sheriff | Jan. 2009 |
| Timothy R. Kenyon | County Attorney | Jan. 2011 |
| Steven Gene Haner | County Assessor | Jan. 2010 |

INDEPENDENT AUDITOR'S REPORT

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union County as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2009 on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 42 through 44 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 27, 2009

Basic Financial Statements

UNION COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 3,633,223 |
| Receivables: | |
| Property tax: | |
| Delinquent | 19,192 |
| Succeeding year | 4,424,000 |
| Interest and penalty on property tax | 55,649 |
| Accounts | 97,765 |
| Accrued interest | 12,382 |
| Due from other governments | 230,651 |
| Inventories | 176,034 |
| Solid waste disposal revenue bonds receivable (note 4) | 1,450,000 |
| Capital assets, net of accumulated depreciation (note 5) | <u>8,381,996</u> |
| Total assets | <u>18,480,892</u> |
| Liabilities | |
| Accounts payable | 743,796 |
| Salaries and benefits payable | 114,166 |
| Due to other governments (note 6) | 788,538 |
| Accrued interest payable | 18,569 |
| Incurred but not reported claims | 95,000 |
| Deferred revenue: | |
| Succeeding year property tax | 4,424,000 |
| Other | 179,331 |
| Long-term liabilities (note 7): | |
| Portion due or payable within one year: | |
| Capital lease purchase agreement | 28,949 |
| General obligation bonds | 375,000 |
| General obligation County purpose notes | 245,000 |
| General obligation solid waste disposal notes | 50,000 |
| Rural development loan | 3,425 |
| Compensated absences | 118,760 |
| Portion due or payable after one year: | |
| General obligation bonds | 3,237,105 |
| General obligation County purpose notes | 865,000 |
| General obligation solid waste disposal notes | 1,400,000 |
| Rural development loan | <u>10,300</u> |
| Total liabilities | <u>12,696,939</u> |

UNION COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net Assets | |
| Invested in capital assets, net of related debt | \$ 4,469,382 |
| Restricted for: | |
| Supplemental levy purposes | 215,648 |
| Rural services | 217,859 |
| Secondary roads | 446,411 |
| Capital projects | 7,334 |
| Other special revenue purposes | 557,155 |
| Unrestricted | <u>(129,836)</u> |
| Total net assets | <u>\$ 5,783,953</u> |

See notes to financial statements.

UNION COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|---|--------------|----------------------|------------------------------------|----------------------------------|-----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| Governmental Activities: | | | | | |
| Public safety and legal services | \$ 1,286,696 | \$ 105,506 | \$ 22,175 | \$ - | \$ (1,159,015) |
| Physical health and social services | 397,904 | 27,078 | 135,820 | - | (235,006) |
| Mental health | 1,844,765 | 4,768 | 917,306 | - | (922,691) |
| County environment and education | 529,753 | 124,803 | 54,887 | - | (350,063) |
| Roads and transportation | 3,321,725 | 42,290 | 2,198,098 | 667,199 | (414,138) |
| Government services to residents | 414,632 | 230,800 | - | - | (183,832) |
| Administration | 1,350,537 | 22,688 | - | - | (1,327,849) |
| Interest on long-term debt | 197,958 | - | - | - | (197,958) |
| Total | \$ 9,343,970 | \$ 557,933 | \$ 3,328,286 | \$ 667,199 | (4,790,552) |
| General Revenues: | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 3,423,049 |
| Debt service | | | | | 395,785 |
| Tax increment financing | | | | | 242,083 |
| Penalty and interest on property tax | | | | | 47,716 |
| State tax credits | | | | | 219,829 |
| Local option sales and services tax | | | | | 458,848 |
| Unrestricted investment earnings | | | | | 135,917 |
| Miscellaneous | | | | | 104,584 |
| Total general revenues | | | | | 5,027,811 |
| Change in net assets | | | | | 237,259 |
| Net assets beginning of year | | | | | 5,546,694 |
| Net assets end of year | | | | | \$ 5,783,953 |

See notes to financial statements.

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UNION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

| | Special Revenue | | | |
|--------------------------------------|---------------------|---------------------|-------------------|---------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 546,309 | \$ 451,485 | \$ 226,359 | \$ 929,645 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 12,772 | 3,853 | 1,940 | - |
| Succeeding year | 2,187,000 | 711,000 | 718,000 | - |
| Interest and penalty on property tax | 55,649 | - | - | - |
| Accounts | 27,220 | 4,768 | - | - |
| Accrued interest | 10,719 | - | - | - |
| Due from other governments | 33,921 | - | 22,059 | 174,671 |
| Inventories | - | - | - | 176,034 |
| Total assets | <u>\$ 2,873,590</u> | <u>\$ 1,171,106</u> | <u>\$ 968,358</u> | <u>\$ 1,280,350</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 70,785 | \$ 35,227 | \$ 18,463 | \$ 527,121 |
| Salaries and benefits payable | 55,374 | 428 | 7,898 | 50,466 |
| Due to other governments (note 6) | 22,103 | 766,435 | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,187,000 | 711,000 | 718,000 | - |
| Other | 68,421 | 3,853 | 1,940 | 179,331 |
| Total liabilities | <u>2,403,683</u> | <u>1,516,943</u> | <u>746,301</u> | <u>756,918</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Inventories | - | - | - | 176,034 |
| Supplemental levy purposes | 214,720 | - | - | - |
| Debt service | - | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 255,187 | - | - | - |
| Special revenue funds | - | (345,837) | 222,057 | 347,398 |
| Capital projects fund | - | - | - | - |
| Total fund balances | <u>469,907</u> | <u>(345,837)</u> | <u>222,057</u> | <u>523,432</u> |
| Total liabilities and fund balances | <u>\$ 2,873,590</u> | <u>\$ 1,171,106</u> | <u>\$ 968,358</u> | <u>\$ 1,280,350</u> |

See notes to financial statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ 1,211,428 | \$ 3,365,226 |
| 627 | 19,192 |
| 808,000 | 4,424,000 |
| - | 55,649 |
| 11,051 | 43,039 |
| 709 | 11,428 |
| - | 230,651 |
| - | 176,034 |
| <u>\$ 2,031,815</u> | <u>\$ 8,325,219</u> |

| | |
|----------------|------------------|
| \$ 92,200 | \$ 743,796 |
| - | 114,166 |
| - | 788,538 |
| 808,000 | 4,424,000 |
| 627 | 254,172 |
| <u>900,827</u> | <u>6,324,672</u> |

| | |
|---------------------|---------------------|
| - | 176,034 |
| - | 214,720 |
| 15,668 | 15,668 |
| - | 255,187 |
| 557,155 | 780,773 |
| 558,165 | 558,165 |
| <u>1,130,988</u> | <u>2,000,547</u> |
| <u>\$ 2,031,815</u> | <u>\$ 8,325,219</u> |

UNION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

| | |
|--|---------------------|
| Total fund balances of governmental funds | \$ 2,000,547 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Solid waste disposal revenue bonds receivable are not current financial resources and, therefore, are not reported as assets in the governmental funds. | 1,450,000 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$12,293,678 and the accumulated depreciation is \$3,911,682. | 8,381,996 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 74,841 |
| The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. | 228,677 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (18,569) |
| Long-term liabilities, including capital lease purchase agreements, bonds, notes and loans payable and compensated absences payable, are not due payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(6,333,539)</u> |
| Net assets of governmental activities | <u>\$ 5,783,953</u> |

See notes to financial statements.

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UNION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2008

| | Special Revenue | | | |
|---|-------------------|---------------------|-------------------|-------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other County tax | \$ 2,179,697 | \$ 709,948 | \$ 762,419 | \$ 229,424 |
| Interest and penalty on property tax | 41,892 | - | - | - |
| Intergovernmental | 225,294 | 957,955 | 92,299 | 2,200,386 |
| Licenses and permits | 2,417 | - | 16,075 | 2,633 |
| Charges for service | 415,656 | - | 631 | 250 |
| Use of money and property | 104,265 | - | - | - |
| Miscellaneous | 24,265 | 4,768 | 347 | 37,120 |
| Total revenues | <u>2,993,486</u> | <u>1,672,671</u> | <u>871,771</u> | <u>2,469,813</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 1,186,237 | - | 67,848 | - |
| Physical health and social services | 226,166 | - | 117,865 | - |
| Mental health | - | 1,844,765 | - | - |
| County environment and education | 348,370 | - | 85,217 | - |
| Roads and transportation | - | - | 56,785 | 3,161,272 |
| Government services to residents | 397,064 | - | - | - |
| Administration | 926,442 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | 70,786 |
| Total expenditures | <u>3,084,279</u> | <u>1,844,765</u> | <u>327,715</u> | <u>3,232,058</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(90,793)</u> | <u>(172,094)</u> | <u>544,056</u> | <u>(762,245)</u> |
| Other financing sources (uses): | | | | |
| Interfund transfers in (note 3) | - | - | - | 538,780 |
| Interfund transfers out (note 3) | (49,905) | - | (488,875) | - |
| General obligation note proceeds | - | - | - | - |
| Total other financing sources (uses) | <u>(49,905)</u> | <u>-</u> | <u>(488,875)</u> | <u>538,780</u> |
| Net change in fund balances | (140,698) | (172,094) | 55,181 | (223,465) |
| Fund balances beginning of year | <u>610,605</u> | <u>(173,743)</u> | <u>166,876</u> | <u>746,897</u> |
| Fund balances end of year | <u>\$ 469,907</u> | <u>\$ (345,837)</u> | <u>\$ 222,057</u> | <u>\$ 523,432</u> |

See notes to financial statements.

| Nonmajor Governmental | | | |
|--------------------------|-----------------------|-------|-----------------------|
| Funds | | Total | |
| <hr/> | | <hr/> | |
| \$ | 638,755 | \$ | 4,520,243 |
| | - | | 41,892 |
| | 123,267 | | 3,599,201 |
| | - | | 21,125 |
| | 85,819 | | 502,356 |
| | 31,276 | | 135,541 |
| | 10,819 | | 77,319 |
| | <hr/> 889,936 | | <hr/> 8,897,677 |
| | | | |
| | - | | 1,254,085 |
| | 73,821 | | 417,852 |
| | - | | 1,844,765 |
| | 2,350 | | 435,937 |
| | - | | 3,218,057 |
| | 2,679 | | 399,743 |
| | - | | 926,442 |
| | 644,425 | | 644,425 |
| | 616,353 | | 687,139 |
| | <hr/> 1,339,628 | | <hr/> 9,828,445 |
| | | | |
| | <hr/> (449,692) | | <hr/> (930,768) |
| | | | |
| | 14,168 | | 552,948 |
| | (14,168) | | (552,948) |
| | 696,500 | | 696,500 |
| | <hr/> 696,500 | | <hr/> 696,500 |
| | | | |
| | 246,808 | | (234,268) |
| | <hr/> 884,180 | | <hr/> 2,234,815 |
| | | | |
| \$ | <hr/> <hr/> 1,130,988 | \$ | <hr/> <hr/> 2,000,547 |

UNION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (234,268)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

| | | | |
|---|---------------------------------|------------------|---------|
| | Expenditures for capital assets | \$ 626,855 | |
| Capital assets contributed by the Iowa Department of Transportation | | 667,199 | |
| | Depreciation expense | <u>(584,038)</u> | 710,016 |

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

| | | | |
|--|--------------|--------------|-------|
| | Property tax | (479) | |
| | Other | <u>5,824</u> | 5,345 |

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. (700,000)

Repayments of purchase agreement, bond, note, and loan principal are
expenditures in the governmental funds, but the repayments reduce long-term
liabilities in the Statement of Net Assets. 454,910

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

| | | | |
|--|----------------------------|----------------|--------|
| | Compensated absences | 29,769 | |
| | Interest on long-term debt | <u>(2,342)</u> | 27,427 |

The Internal Service Fund is used by management to charge the costs of
the self funding of the County's health insurance benefit plan to individual
funds. The change in net assets of the Internal Service Fund is reported
with governmental activities. (26,171)

Change in net assets of governmental activities \$ 237,259

See notes to financial statements.

UNION COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2008

| | <u>Internal Service - Employee Group Health</u> |
|----------------------------------|---|
| Assets | |
| Cash and investments | \$ 267,997 |
| Receivables: | |
| Accounts | 54,726 |
| Accrued interest | <u>954</u> |
| Total assets | <u>323,677</u> |
| Liabilities | |
| Incurred but not reported claims | <u>95,000</u> |
| Net Assets | |
| Unrestricted | \$ <u><u>228,677</u></u> |

See notes to financial statements.

UNION COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2008

| | <u>Internal Service - Employee Group Health</u> |
|--|---|
| Operating revenues: | |
| Reimbursements from operating funds | \$ 772,720 |
| Reimbursements from employees and retirees | 107,093 |
| Insurance reimbursements | <u>48,356</u> |
| Total operating revenues | <u>928,169</u> |
| Operating expenses: | |
| Medical claims | 706,136 |
| Insurance premiums | 174,972 |
| Administrative fees | 66,620 |
| Miscellaneous | <u>17,620</u> |
| Total operating expenses | <u>965,348</u> |
| Operating loss | (37,179) |
| Non-operating revenues: | |
| Interest on investments | <u>11,008</u> |
| Net loss | (26,171) |
| Net assets beginning of year | <u>254,848</u> |
| Net assets end of year | <u>\$ 228,677</u> |
| See notes to financial statements. | |

UNION COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2008

| | <u>Internal Service - Employee Group Health</u> |
|---|---|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 746,220 |
| Cash received from employees and retirees | 105,236 |
| Cash received from insurance reimbursements | 67,265 |
| Cash payments to suppliers for services | <u>(975,348)</u> |
| Net cash used by operating activities | <u>(56,627)</u> |
| Cash flows from investing activities: | |
| Interest on investments | 13,430 |
| Redemption of investments | 180,000 |
| Purchase of investments | <u>(101,222)</u> |
| Net cash provided by investing activities | <u>92,208</u> |
| Net increase in cash and cash equivalents | 35,581 |
| Cash and cash equivalents at beginning of year | <u>111,194</u> |
| Cash and cash equivalents at end of year | <u>\$ 146,775</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (37,179) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| (Increase) in accounts receivable | (9,448) |
| (Decrease) in incurred but not reported claims | <u>(10,000)</u> |
| Net cash used by operating activities | <u>\$ (56,627)</u> |
| Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets: | |
| Cash and investments | \$ 267,997 |
| Less items not meeting the definition of a cash equivalent: | |
| Certificates of deposit | <u>(121,222)</u> |
| Cash and cash equivalents at end of year | <u>\$ 146,775</u> |

See notes to financial statements.

UNION COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

Assets

Cash and pooled investments:

| | |
|------------------------|--------------|
| County Treasurer | \$ 2,278,897 |
| Other County officials | 37,282 |

Receivables:

Property tax:

| | |
|-----------------|-----------|
| Delinquent | 47,283 |
| Succeeding year | 9,606,000 |

| | |
|----------|--------|
| Accounts | 83,369 |
|----------|--------|

| | |
|------------------|--------|
| Accrued interest | 32,470 |
|------------------|--------|

| | |
|----------------------------|---------------|
| Due from other governments | <u>17,487</u> |
|----------------------------|---------------|

| | |
|--------------|-----------------------------|
| Total assets | <u><u>\$ 12,102,788</u></u> |
|--------------|-----------------------------|

Liabilities

| | |
|------------------|------------|
| Accounts payable | \$ 254,434 |
|------------------|------------|

| | |
|-------------------------------|--------|
| Salaries and benefits payable | 10,402 |
|-------------------------------|--------|

| | |
|-----------------------------------|------------|
| Due to other governments (note 6) | 11,767,132 |
|-----------------------------------|------------|

| | |
|----------------|--------|
| Trusts payable | 63,494 |
|----------------|--------|

| | |
|----------------------|--------------|
| Compensated absences | <u>7,326</u> |
|----------------------|--------------|

| | |
|-------------------|-----------------------------|
| Total liabilities | <u><u>\$ 12,102,788</u></u> |
|-------------------|-----------------------------|

See notes to financial statements.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies

Union County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Union County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Union County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Union County Assessor's Conference Board and Union County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Iowa Area Detention Service Agency, South Central Iowa Regional E911 Service Board and Union County Development Association.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2008 included \$121,222 of certificates of deposit with maturity dates longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------------|-----------|
| Infrastructure | \$ 65,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 10-50 |
| Improvements other than buildings | 25-50 |
| Infrastructure | 10-65 |
| Equipment | 3-20 |
| Vehicles | 5-15 |

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$1,444,407.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in the water grid department exceeded the amount appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the County had the following investments:

| | <u>Amortized Cost/ Fair Value</u> |
|-------------------------------------|---------------------------------------|
| Iowa Public Agency Investment Trust | \$ 1,200,201 |
| U.S. government bonds | <u>4,000</u> |
| | <u>\$ 1,204,201</u> |

The investments in the Iowa Public Agency Investment Trust are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The U.S. government bonds are stated at fair value.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|-------------------------------------|-------------------------------------|-------------------|
| Special Revenue: Secondary Roads | General | \$ 49,905 |
| | Special Revenue: Rural Services | 488,875 |
| Capital Projects | Resource Enhancement and Protection | 3,295 |
| | Conservation Land Acquisition | <u>10,873</u> |
| | | <u>\$ 552,948</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 4. Solid Waste Disposal Revenue Bonds Receivable

During the year ended June 30, 2008, the County received \$1,500,000 of solid waste disposal revenue bonds from the Prairie Solid Waste Agency (Agency), which is reported as an Agency Fund of the County. The revenue bonds were received in exchange for the proceeds of the general obligation solid waste disposal notes issued by the County (note 7). The solid waste disposal revenues bonds receivable have the same payment schedule as the County's solid waste disposal notes payable and are payable only from the future solid waste collection fees of the Agency.

A summary of the County's solid waste disposal revenue bonds receivable is as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|---------------------|-------------------|---------------------|
| 2009 | 4.100 % | \$ 50,000 | \$ 61,204 | \$ 111,204 |
| 2010 | 4.100 | 55,000 | 59,154 | 114,154 |
| 2011 | 4.100 | 55,000 | 56,899 | 111,899 |
| 2012 | 4.100 | 60,000 | 54,644 | 114,644 |
| 2013 | 4.100 | 60,000 | 52,184 | 112,184 |
| 2014 | 4.100 | 65,000 | 49,724 | 114,724 |
| 2015 | 4.100 | 65,000 | 47,059 | 112,059 |
| 2016 | 4.150 | 70,000 | 44,394 | 114,394 |
| 2017 | 4.150 | 70,000 | 41,489 | 111,489 |
| 2018 | 4.150 | 75,000 | 38,584 | 113,584 |
| 2019 | 4.200 | 75,000 | 35,471 | 110,471 |
| 2020 | 4.200 | 80,000 | 32,321 | 112,321 |
| 2021 | 4.200 | 85,000 | 28,961 | 113,961 |
| 2022 | 4.300 | 85,000 | 25,391 | 110,391 |
| 2023 | 4.300 | 90,000 | 21,736 | 111,736 |
| 2024 | 4.300 | 95,000 | 17,866 | 112,866 |
| 2025 | 4.375 | 100,000 | 13,781 | 113,781 |
| 2026 | 4.375 | 105,000 | 9,406 | 114,406 |
| 2027 | 4.375 | 110,000 | 4,812 | 114,812 |
| | | <u>\$ 1,450,000</u> | <u>\$ 695,080</u> | <u>\$ 2,145,080</u> |

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2008 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-------------------|----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 253,619 | \$ - | \$ - | \$ 253,619 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,895,987 | 48,800 | - | 1,944,787 |
| Improvements other than buildings | 48,202 | - | | 48,202 |
| Machinery and equipment | 3,148,066 | 578,055 | 345,541 | 3,380,580 |
| Infrastructure | 5,999,291 | 667,199 | - | 6,666,490 |
| Total capital assets being depreciated | <u>11,091,546</u> | <u>1,294,054</u> | <u>345,541</u> | <u>12,040,059</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,145,995 | 96,393 | - | 1,242,388 |
| Improvements other than buildings | 9,439 | 2,360 | - | 11,799 |
| Machinery and equipment | 2,183,370 | 233,241 | 345,541 | 2,071,070 |
| Infrastructure | 334,381 | 252,044 | - | 586,425 |
| Total accumulated depreciation | <u>3,673,185</u> | <u>584,038</u> | <u>345,541</u> | <u>3,911,682</u> |
| Total capital assets being depreciated, net | <u>7,418,361</u> | <u>710,016</u> | <u>-</u> | <u>8,128,377</u> |
| Governmental activities capital assets, net | <u>\$ 7,671,980</u> | <u>\$ 710,016</u> | <u>\$ -</u> | <u>\$ 8,381,996</u> |

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

| | |
|-------------------------------------|---------------|
| Public safety and legal services | \$ 22,435 |
| Physical health and social services | 28,513 |
| County environment and education | 75,281 |
| Roads and transportation | 411,623 |
| Government services to residents | 11,000 |
| Administration | <u>35,186</u> |

| | |
|--|--------------------------|
| Total depreciation expense - governmental activities | <u><u>\$ 584,038</u></u> |
|--|--------------------------|

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| Fund | Description | Amount |
|------------------------------|-------------|-----------------------------|
| General | Services | \$ 22,103 |
| Special Revenue: | | |
| Mental Health | | <u>766,435</u> |
| Total for governmental funds | | <u><u>\$ 788,538</u></u> |
| Agency: | | |
| County Assessor | Collections | \$ 250,014 |
| County Hospital | | 1,114,568 |
| Schools | | 5,432,346 |
| Community Colleges | | 257,628 |
| Corporations | | 2,570,300 |
| Auto License and Use Tax | | 211,829 |
| Prairie Solid Waste Agency | | 1,590,868 |
| All Other | | <u>339,579</u> |
| Total for agency funds | | <u><u>\$ 11,767,132</u></u> |

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year | Due Within One Year |
|---|---------------------------------|---------------------|-------------------|---------------------------|---------------------------|
| Capital Lease Purchase Agreement | \$ 56,558 | \$ - | \$ 27,609 | \$ 28,949 | \$ 28,949 |
| General Obligation Bonds * | 3,930,981 | - | 318,876 | 3,612,105 | 375,000 |
| General Obligation County Purpose Notes | 515,000 | 700,000 | 105,000 | 1,110,000 | 245,000 |
| General Obligation Solid Waste Disposal Notes | - | 1,500,000 | 50,000 | 1,450,000 | 50,000 |
| Rural Development Loan | 17,150 | - | 3,425 | 13,725 | 3,425 |
| Compensated Absences | 148,529 | 118,760 | 148,529 | 118,760 | 118,760 |
| Total | \$ <u>4,668,218</u> | \$ <u>2,318,760</u> | \$ <u>653,439</u> | \$ <u>6,333,539</u> | \$ <u>821,134</u> |

* = net of deferred amortization costs

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a John Deere motor grader with a historical cost of \$165,000. The following is a schedule of the future minimum lease payments, including interest of 4.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2008:

| Year Ending June 30, | Total |
|--|------------------|
| 2009 | \$ 30,354 |
| Less amount representing interest | <u>(1,405)</u> |
| Present value of net minimum lease payments | \$ <u>28,949</u> |

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

General Obligation Urban Renewal Refunding Bonds Payable

A summary of the County's June 30, 2008 general obligation urban renewal refunding bonded indebtedness is as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|---------------------|-------------------|---------------------|
| 2009 | 3.250 % | \$ 375,000 | \$ 143,561 | \$ 518,561 |
| 2010 | 3.250 | 385,000 | 131,374 | 516,374 |
| 2011 | 3.400 | 400,000 | 118,861 | 518,861 |
| 2012 | 3.600 | 415,000 | 105,261 | 520,261 |
| 2013 | 3.750 | 425,000 | 90,321 | 515,321 |
| 2014 | 3.875 | 445,000 | 74,384 | 519,384 |
| 2015 | 3.900 | 460,000 | 57,140 | 517,140 |
| 2016 | 4.000 | 480,000 | 39,200 | 519,200 |
| 2017 | 4.000 | 500,000 | 20,000 | 520,000 |
| | | <u>\$ 3,885,000</u> | <u>\$ 780,102</u> | <u>\$ 4,665,102</u> |

During the year ended June 30, 2004, the County performed an advance refunding of the old general obligation capital loan notes dated 1997 and 1998. The advance refunding resulted in a difference between the reacquisition price of the new debt and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds, is being amortized through the year 2014 using the straight line method. Deferred amortization costs totaled \$272,895 at June 30, 2008. Amortization expense totaled \$46,124 for the current year.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

General Obligation County Purpose Notes Payable

During the year ended June 30, 2008, the County issued \$700,000 of general obligation County purpose notes for the purpose of paying legal costs related to urban renewal bonds.

A summary of the County's June 30, 2008 general obligation County purpose note indebtedness is as follows:

| Year Ending June 30, | Issue dated May 1, 2007 | | | | Issue dated April 1, 2008 | | | |
|----------------------------|-------------------------|-------------------|------------------|-------------------|---------------------------|-------------------|------------------|-------------------|
| | Interest Rates | Principal | Interest | Total | Interest Rates | Principal | Interest | Total |
| 2009 | 3.65 % | \$ 115,000 | \$ 15,422 | \$ 130,422 | 2.75 % | \$ 130,000 | \$ 24,655 | \$ 154,655 |
| 2010 | 3.70 | 120,000 | 11,225 | 131,225 | 2.90 | 135,000 | 17,557 | 152,557 |
| 2011 | 3.75 | 60,000 | 6,785 | 66,785 | 3.00 | 140,000 | 13,643 | 153,643 |
| 2012 | 3.80 | 60,000 | 4,535 | 64,535 | 3.15 | 145,000 | 9,443 | 154,443 |
| 2013 | 4.00 | 10,000 | 2,255 | 12,255 | 3.25 | 150,000 | 4,875 | 154,875 |
| 2014 | 4.00 | 10,000 | 1,855 | 11,855 | - | - | - | - |
| 2015 | 4.10 | 10,000 | 1,455 | 11,455 | - | - | - | - |
| 2016 | 4.15 | 10,000 | 1,045 | 11,045 | - | - | - | - |
| 2017 | 4.20 | 15,000 | 630 | 15,630 | - | - | - | - |
| | | <u>\$ 410,000</u> | <u>\$ 45,207</u> | <u>\$ 455,207</u> | | <u>\$ 700,000</u> | <u>\$ 70,173</u> | <u>\$ 770,173</u> |

| Year Ending June 30, | Total | | |
|----------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2009 | \$ 245,000 | \$ 40,077 | \$ 285,077 |
| 2010 | 255,000 | 28,782 | 283,782 |
| 2011 | 200,000 | 20,428 | 220,428 |
| 2012 | 205,000 | 13,978 | 218,978 |
| 2013 | 160,000 | 7,130 | 167,130 |
| 2014 | 10,000 | 1,855 | 11,855 |
| 2015 | 10,000 | 1,455 | 11,455 |
| 2016 | 10,000 | 1,045 | 11,045 |
| 2017 | 15,000 | 630 | 15,630 |
| | <u>\$ 1,110,000</u> | <u>\$ 115,380</u> | <u>\$ 1,225,380</u> |

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

General Obligation Solid Waste Disposal Notes Payable

During the year ended June 30, 2008, the County issued \$1,500,000 of general obligation solid waste disposal notes. The proceeds went to the Prairie Solid Waste Agency, reported as an Agency Fund of the County, in exchange for \$1,500,000 of solid waste disposal revenue bonds (note 4).

A summary of the County's June 30, 2008 general obligation solid waste disposal notes is as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|---------------------|-------------------|---------------------|
| 2009 | 4.100 % | \$ 50,000 | \$ 61,204 | \$ 111,204 |
| 2010 | 4.100 | 55,000 | 59,154 | 114,154 |
| 2011 | 4.100 | 55,000 | 56,899 | 111,899 |
| 2012 | 4.100 | 60,000 | 54,644 | 114,644 |
| 2013 | 4.100 | 60,000 | 52,184 | 112,184 |
| 2014 | 4.100 | 65,000 | 49,724 | 114,724 |
| 2015 | 4.100 | 65,000 | 47,059 | 112,059 |
| 2016 | 4.150 | 70,000 | 44,394 | 114,394 |
| 2017 | 4.150 | 70,000 | 41,489 | 111,489 |
| 2018 | 4.150 | 75,000 | 38,584 | 113,584 |
| 2019 | 4.200 | 75,000 | 35,471 | 110,471 |
| 2020 | 4.200 | 80,000 | 32,321 | 112,321 |
| 2021 | 4.200 | 85,000 | 28,961 | 113,961 |
| 2022 | 4.300 | 85,000 | 25,391 | 110,391 |
| 2023 | 4.300 | 90,000 | 21,736 | 111,736 |
| 2024 | 4.300 | 95,000 | 17,866 | 112,866 |
| 2025 | 4.375 | 100,000 | 13,781 | 113,781 |
| 2026 | 4.375 | 105,000 | 9,406 | 114,406 |
| 2027 | 4.375 | 110,000 | 4,812 | 114,812 |
| | | <u>\$ 1,450,000</u> | <u>\$ 695,080</u> | <u>\$ 2,145,080</u> |

Rural Development Loan

On July 25, 2002, the County entered into an interest-free loan agreement with Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lake Lodge operated by the Union County Conservation Board.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Rural Development Loan (continued)

A summary of the County's June 30, 2008 rural development loan indebtedness is as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> |
|---------------------------------|------------------|
| 2009 | \$ 3,425 |
| 2010 | 3,425 |
| 2011 | 3,425 |
| 2012 | <u>3,450</u> |
| | <u>\$ 13,725</u> |

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$148,238, \$135,203 and \$129,368, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Union County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Employee Health Insurance Plan

The Union County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. Claims in excess of coverage are insured through the purchase of stop loss insurance.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 10. Employee Health Insurance Plan (continued)

Monthly payments of service fees and plan contributions to the Union County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to American Administrators from the Union County Employee Group Health Fund. The County records the plan assets and related liabilities of the Union County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2008 was \$772,720.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$95,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$228,677 at June 30, 2008 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

| | |
|---|-------------------------|
| Unpaid claims at July 1, 2007 | \$ 105,000 |
| Incurred claims (including claims incurred but not reported at June 30, 2008) | 706,136 |
| Claims paid | <u>716,136</u> |
| Unpaid claims at June 30, 2008 | <u><u>\$ 95,000</u></u> |

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Required Supplementary Information

UNION COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2008

| | Actual | Budgeted Amounts | | Final to Actual Variance |
|---|---------------------|---------------------|-------------------|--------------------------|
| | | Original | Final | |
| RECEIPTS: | | | | |
| Property and other County tax | \$ 4,520,209 | \$ 4,546,622 | \$ 4,546,622 | \$ (26,413) |
| Interest and penalty on property tax | 41,892 | 30,600 | 30,600 | 11,292 |
| Intergovernmental | 3,869,933 | 2,818,386 | 3,600,606 | 269,327 |
| Licenses and permits | 22,152 | 23,820 | 23,820 | (1,668) |
| Charges for service | 427,216 | 391,196 | 391,196 | 36,020 |
| Use of money and property | 222,694 | 131,525 | 131,525 | 91,169 |
| Miscellaneous | 55,057 | 5,550 | 5,550 | 49,507 |
| Total receipts | <u>9,159,153</u> | <u>7,947,699</u> | <u>8,729,919</u> | <u>429,234</u> |
| DISBURSEMENTS: | | | | |
| Public safety and legal services | 1,253,286 | 1,268,408 | 1,285,858 | 32,572 |
| Physical health and social services | 401,043 | 375,968 | 460,188 | 59,145 |
| Mental health | 1,353,175 | 1,389,354 | 1,389,354 | 36,179 |
| County environment and education | 432,963 | 410,428 | 453,528 | 20,565 |
| Roads and transportation | 2,924,372 | 2,626,628 | 3,286,428 | 362,056 |
| Government services to residents | 391,313 | 435,656 | 436,406 | 45,093 |
| Administration | 895,737 | 825,544 | 977,544 | 81,807 |
| Debt service | 644,575 | 649,544 | 649,544 | 4,969 |
| Capital projects | 671,232 | 503,130 | 1,268,130 | 596,898 |
| Total disbursements | <u>8,967,696</u> | <u>8,484,660</u> | <u>10,206,980</u> | <u>1,239,284</u> |
| Excess (deficiency) of receipts over (under) disbursements | 191,457 | (536,961) | (1,477,061) | 1,668,518 |
| Other financing sources, net | <u>696,500</u> | <u>493,500</u> | <u>1,193,500</u> | <u>(497,000)</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 887,957 | (43,461) | (283,561) | 1,171,518 |
| Balance beginning of year | <u>2,477,269</u> | <u>1,268,444</u> | <u>1,268,444</u> | <u>1,208,825</u> |
| Balance end of year | <u>\$ 3,365,226</u> | <u>\$ 1,224,983</u> | <u>\$ 984,883</u> | <u>\$ 2,380,343</u> |

See accompanying independent auditor's report.

UNION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2008

| | Governmental Funds | | |
|------------------------------|---------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 9,159,153 | \$ (261,476) | \$ 8,897,677 |
| Expenditures | 8,967,696 | 860,749 | 9,828,445 |
| Net | 191,457 | (1,122,225) | (930,768) |
| Other financing sources, net | 696,500 | - | 696,500 |
| Beginning fund balances | 2,477,269 | (242,454) | 2,234,815 |
| Ending fund balances | <u>\$ 3,365,226</u> | <u>\$ (1,364,679)</u> | <u>\$ 2,000,547</u> |

See accompanying independent auditor's report.

UNION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,722,320. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in the water grid department exceeded the amount appropriated.

Other Supplementary Information

UNION COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

| | Special Revenue | | | |
|-------------------------------------|-------------------------|--|---|-------------------------------------|
| | Flood and Erosion | Resource Enhancement and Protection | County Recorder's Records Management | Conservation Land Acquisition |
| Assets | | | | |
| Cash and pooled investments | \$ 5,219 | \$ 41,051 | \$ 31,127 | \$ 33,057 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | - |
| Succeeding year | - | - | - | - |
| Accounts | - | - | 232 | 10,819 |
| Accrued interest | - | - | 60 | - |
| | | | | |
| Total assets | <u>\$ 5,219</u> | <u>\$ 41,051</u> | <u>\$ 31,419</u> | <u>\$ 43,876</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | - | - | - |
| Other | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service | - | - | - | - |
| Unreserved | <u>5,219</u> | <u>41,051</u> | <u>31,419</u> | <u>43,876</u> |
| Total fund balances | <u>5,219</u> | <u>41,051</u> | <u>31,419</u> | <u>43,876</u> |
| | | | | |
| Total liabilities and fund balances | <u>\$ 5,219</u> | <u>\$ 41,051</u> | <u>\$ 31,419</u> | <u>\$ 43,876</u> |

| <u>Care Facility Trust</u> | <u>Care Facility Depreciation</u> | <u>Commissary</u> | <u>COOP Urban Renewal</u> | <u>Water Grid</u> | <u>Charitable/ Educational</u> | <u>Debt Service</u> |
|------------------------------------|---|-------------------|-------------------------------|-----------------------|------------------------------------|-------------------------|
| \$ 110,741 | \$ 39,247 | \$ 7,628 | \$ 231,488 | \$ 12,876 | \$ 33,604 | \$ 15,668 |
| - | - | - | - | - | - | 627 |
| - | - | - | 527,000 | - | - | 281,000 |
| - | - | - | - | - | - | - |
| 6 | - | - | - | - | - | - |
| <u>\$ 110,747</u> | <u>\$ 39,247</u> | <u>\$ 7,628</u> | <u>\$ 758,488</u> | <u>\$ 12,876</u> | <u>\$ 33,604</u> | <u>\$ 297,295</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | 527,000 | - | - | 281,000 |
| - | - | - | - | - | - | 627 |
| - | - | - | 527,000 | - | - | 281,627 |
| - | - | - | - | - | - | 15,668 |
| 110,747 | 39,247 | 7,628 | 231,488 | 12,876 | 33,604 | - |
| 110,747 | 39,247 | 7,628 | 231,488 | 12,876 | 33,604 | 15,668 |
| <u>\$ 110,747</u> | <u>\$ 39,247</u> | <u>\$ 7,628</u> | <u>\$ 758,488</u> | <u>\$ 12,876</u> | <u>\$ 33,604</u> | <u>\$ 297,295</u> |

UNION COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

| | <u>Capital Projects</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|---------------------|
| Assets | | |
| Cash and pooled investments | \$ 649,722 | \$ 1,211,428 |
| Receivables: | | |
| Property tax: | | |
| Delinquent | - | 627 |
| Succeeding year | - | 808,000 |
| Accounts | - | 11,051 |
| Accrued interest | 643 | 709 |
| | <u>643</u> | <u>709</u> |
| Total assets | \$ <u>650,365</u> | \$ <u>2,031,815</u> |
| Liabilities and Fund Balances | | |
| Liabilities: | | |
| Accounts payable | \$ 92,200 | \$ 92,200 |
| Deferred revenue: | | |
| Succeeding year property tax | - | 808,000 |
| Other | - | 627 |
| Total liabilities | <u>92,200</u> | <u>900,827</u> |
| Fund balances: | | |
| Reserved for: | | |
| Debt service | - | 15,668 |
| Unreserved | 558,165 | 1,115,320 |
| Total fund balances | <u>558,165</u> | <u>1,130,988</u> |
| Total liabilities and fund balances | \$ <u>650,365</u> | \$ <u>2,031,815</u> |

See accompanying independent auditor's report.

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UNION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

| | Special Revenue | | | |
|--|-------------------------|--|---|-------------------------------------|
| | Flood and Erosion | Resource Enhancement and Protection | County Recorder's Records Management | Conservation Land Acquisition |
| Revenues: | | | | |
| Property and other County tax | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 6,900 | 16,406 | - | 28,851 |
| Charges for service | - | - | 2,898 | - |
| Use of money and property | - | 793 | 292 | 112 |
| Miscellaneous | - | - | - | 10,819 |
| Total revenues | 6,900 | 17,199 | 3,190 | 39,782 |
| Expenditures: | | | | |
| Operating: | | | | |
| Physical health and social services | - | - | - | - |
| County environment and education | 2,350 | - | - | - |
| Government services to residents | - | - | 2,679 | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total expenditures | 2,350 | - | 2,679 | - |
| Excess (deficiency) of revenues over (under) expenditures | 4,550 | 17,199 | 511 | 39,782 |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | - | - | - |
| Interfund transfers out | - | (3,295) | - | (10,873) |
| General obligation note proceeds | - | - | - | - |
| Total other financing sources (uses) | - | (3,295) | - | (10,873) |
| Net change in fund balances | 4,550 | 13,904 | 511 | 28,909 |
| Fund balances beginning of year | 669 | 27,147 | 30,908 | 14,967 |
| Fund balances end of year | \$ 5,219 | \$ 41,051 | \$ 31,419 | \$ 43,876 |

| Care Facility Trust | Care Facility Depreciation | Commissary | COOP Urban Renewal | Water Grid | Charitable/ Educational | Debt Service |
|---------------------------|----------------------------------|------------|-----------------------|---------------|----------------------------|-----------------|
| \$ - | \$ - | \$ - | \$ 242,083 | \$ - | \$ - | \$ 396,672 |
| - | - | - | - | 5,500 | 33,604 | 22,376 |
| - | 82,921 | - | - | - | - | - |
| 4,705 | - | 1,372 | 11,216 | 88 | - | - |
| - | - | - | - | - | - | - |
| 4,705 | 82,921 | 1,372 | 253,299 | 5,588 | 33,604 | 419,048 |
| 6,306 | 67,515 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 229,200 | - | - | 415,225 |
| - | - | - | - | 3,821 | - | - |
| 6,306 | 67,515 | - | 229,200 | 3,821 | - | 415,225 |
| (1,601) | 15,406 | 1,372 | 24,099 | 1,767 | 33,604 | 3,823 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (1,601) | 15,406 | 1,372 | 24,099 | 1,767 | 33,604 | 3,823 |
| 112,348 | 23,841 | 6,256 | 207,389 | 11,109 | - | 11,845 |
| \$ 110,747 | \$ 39,247 | \$ 7,628 | \$ 231,488 | \$ 12,876 | \$ 33,604 | \$ 15,668 |

UNION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

| | Capital Projects | Total |
|--|---------------------|---------------------|
| Revenues: | | |
| Property and other County tax | \$ - | \$ 638,755 |
| Intergovernmental | 9,630 | 123,267 |
| Charges for service | - | 85,819 |
| Use of money and property | 12,698 | 31,276 |
| Miscellaneous | - | 10,819 |
| Total revenues | <u>22,328</u> | <u>889,936</u> |
| Expenditures: | | |
| Operating: | | |
| Physical health and social services | - | 73,821 |
| County environment and education | - | 2,350 |
| Government services to residents | - | 2,679 |
| Debt service | - | 644,425 |
| Capital projects | 612,532 | 616,353 |
| Total expenditures | <u>612,532</u> | <u>1,339,628</u> |
| Excess (deficiency) of revenues over (under) expenditures | (590,204) | (449,692) |
| Other financing sources (uses): | | |
| Interfund transfers in | 14,168 | 14,168 |
| Interfund transfers out | - | (14,168) |
| General obligation note proceeds | 696,500 | 696,500 |
| Total other financing sources (uses) | <u>710,668</u> | <u>696,500</u> |
| Net change in fund balances | 120,464 | 246,808 |
| Fund balances beginning of year | <u>437,701</u> | <u>884,180</u> |
| Fund balances end of year | <u>\$ 558,165</u> | <u>\$ 1,130,988</u> |

See accompanying independent auditor's report.

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UNION COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

| | County Offices | | | Agricultural |
|-------------------------------|-----------------|------------------|------------------|---------------------|
| | County Auditor | County Recorder | County Sheriff | Extension Education |
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ - | \$ - | \$ - | 1,612 |
| Other County officials | 4,080 | 15,547 | 17,655 | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | 521 |
| Succeeding year | - | - | - | 107,000 |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | <u>\$ 4,080</u> | <u>\$ 15,547</u> | <u>\$ 17,655</u> | <u>\$ 109,133</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 8,158 | \$ 1 | - |
| Salaries and benefits payable | - | - | - | - |
| Due to other governments | - | 7,389 | - | 109,133 |
| Trusts payable | 4,080 | - | 17,654 | - |
| Compensated absences | - | - | - | - |
| Total liabilities | <u>\$ 4,080</u> | <u>\$ 15,547</u> | <u>\$ 17,655</u> | <u>\$ 109,133</u> |

| <u>County Assessor</u> | <u>County Hospital</u> | <u>Schools</u> | <u>Community Colleges</u> | <u>Townships</u> | <u>Corporations</u> | <u>City Special Assessments</u> |
|----------------------------|----------------------------|---------------------|-------------------------------|-------------------|---------------------|---|
| \$ 114,308 | \$ 17,813 | \$ 76,896 | \$ 3,498 | \$ 2,515 | \$ 26,191 | \$ 1,456 |
| - | - | - | - | - | - | - |
| 799 | 5,755 | 26,450 | 1,130 | 513 | 12,109 | - |
| 145,000 | 1,091,000 | 5,329,000 | 253,000 | 148,000 | 2,532,000 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 260,107</u> | <u>\$ 1,114,568</u> | <u>\$ 5,432,346</u> | <u>\$ 257,628</u> | <u>\$ 151,028</u> | <u>\$ 2,570,300</u> | <u>\$ 1,456</u> |
| \$ 2,281 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4,745 | - | - | - | - | - | - |
| 250,014 | 1,114,568 | 5,432,346 | 257,628 | 151,028 | 2,570,300 | 1,456 |
| - | - | - | - | - | - | - |
| 3,067 | - | - | - | - | - | - |
| <u>\$ 260,107</u> | <u>\$ 1,114,568</u> | <u>\$ 5,432,346</u> | <u>\$ 257,628</u> | <u>\$ 151,028</u> | <u>\$ 2,570,300</u> | <u>\$ 1,456</u> |

UNION COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

| | Brucellosis and Tuberculosis Eradication | Auto License and Use Tax | Anatomical Gift, Public Awareness and Transportation | Prairie Solid Waste Agency |
|-------------------------------|---|-----------------------------------|--|-------------------------------------|
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ 287 | \$ 211,829 | \$ 2 | \$ 1,684,737 |
| Other County officials | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 6 | - | - | - |
| Succeeding year | 1,000 | - | - | - |
| Accounts | - | - | - | 83,137 |
| Accrued interest | - | - | - | 32,142 |
| Due from other governments | - | - | - | - |
| Total assets | <u>\$ 1,293</u> | <u>\$ 211,829</u> | <u>\$ 2</u> | <u>\$ 1,800,016</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 205,172 |
| Salaries and benefits payable | - | - | - | 3,976 |
| Due to other governments | 1,293 | 211,829 | 2 | 1,590,868 |
| Trusts payable | - | - | - | - |
| Compensated absences | - | - | - | - |
| Total liabilities | <u>\$ 1,293</u> | <u>\$ 211,829</u> | <u>\$ 2</u> | <u>\$ 1,800,016</u> |

See accompanying independent auditor's report.

| <u>Law Enforcement Commission</u> | <u>Empowerment Board</u> | <u>Emergency Management</u> | <u>Advance Tax</u> | <u>Tax Sale Redemption</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Total</u> |
|---|------------------------------|---------------------------------|------------------------|--------------------------------|---|----------------------|
| \$ (10,406) | \$ 94,557 | \$ 11,622 | \$ 41,750 | \$ 10 | \$ 220 | \$ 2,278,897 |
| - | - | - | - | - | - | 37,282 |
| - | - | - | - | - | - | 47,283 |
| - | - | - | - | - | - | 9,606,000 |
| - | - | - | - | - | 232 | 83,369 |
| - | 328 | - | - | - | - | 32,470 |
| 17,487 | - | - | - | - | - | 17,487 |
| <u>\$ 7,081</u> | <u>\$ 94,885</u> | <u>\$ 11,622</u> | <u>\$ 41,750</u> | <u>\$ 10</u> | <u>\$ 452</u> | <u>\$ 12,102,788</u> |
| \$ 6,188 | \$ 31,608 | \$ 1,026 | \$ - | \$ - | \$ - | \$ 254,434 |
| - | - | 1,681 | - | - | - | 10,402 |
| 893 | 63,277 | 4,656 | - | - | 452 | 11,767,132 |
| - | - | - | 41,750 | 10 | - | 63,494 |
| - | - | 4,259 | - | - | - | 7,326 |
| <u>\$ 7,081</u> | <u>\$ 94,885</u> | <u>\$ 11,622</u> | <u>\$ 41,750</u> | <u>\$ 10</u> | <u>\$ 452</u> | <u>\$ 12,102,788</u> |

UNION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2008

| | County Offices | | | Agricultural |
|--|----------------|-----------------|----------------|---------------------|
| | County Auditor | County Recorder | County Sheriff | Extension Education |
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year | \$ 4,080 | \$ 18,942 | \$ 19,258 | \$ 99,492 |
| Additions: | | | | |
| Property and other County tax | - | - | - | 107,951 |
| State tax credits | - | - | - | 5,856 |
| Contract law enforcement | - | - | - | - |
| Office fees and collections | - | 211,069 | 42,273 | - |
| Auto license, use tax, drivers license and postage | - | - | - | - |
| Solid waste fees | - | - | - | - |
| Interest | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | 160 | - | 602,170 | - |
| Solid waste disposal note proceeds | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total additions | 160 | 211,069 | 644,443 | 113,807 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | - | 114,966 | 41,784 | - |
| To other governments | - | 99,498 | 539 | 104,166 |
| Trusts paid out | 160 | - | 603,723 | - |
| Total deductions | 160 | 214,464 | 646,046 | 104,166 |
| Balances end of year | \$ 4,080 | \$ 15,547 | \$ 17,655 | \$ 109,133 |

| <u>County Assessor</u> | <u>County Hospital</u> | <u>Schools</u> | <u>Community Colleges</u> | <u>Townships</u> | <u>Corporations</u> | <u>City Special Assessments</u> |
|----------------------------|----------------------------|----------------------------|-------------------------------|--------------------------|----------------------------|---|
| \$ <u>283,384</u> | \$ <u>1,103,376</u> | \$ <u>4,993,369</u> | \$ <u>216,380</u> | \$ <u>136,031</u> | \$ <u>2,355,287</u> | \$ <u>2,927</u> |
| 146,225 | 1,097,413 | 536,519 | 254,558 | 150,832 | 2,217,469 | - |
| 8,976 | 64,700 | 285,389 | 12,705 | 7,847 | 119,846 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 5,519 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 10,270 | - | - | - | - | - | - |
| <u>165,471</u> | <u>1,162,113</u> | <u>5,650,584</u> | <u>267,263</u> | <u>158,679</u> | <u>2,337,315</u> | <u>5,519</u> |
| - | - | - | - | - | - | - |
| 188,748 | 1,150,921 | 5,211,607 | 226,015 | 143,682 | 2,122,302 | 6,990 |
| - | - | - | - | - | - | - |
| <u>188,748</u> | <u>1,150,921</u> | <u>5,211,607</u> | <u>226,015</u> | <u>143,682</u> | <u>2,122,302</u> | <u>6,990</u> |
| \$ <u><u>260,107</u></u> | \$ <u><u>1,114,568</u></u> | \$ <u><u>5,432,346</u></u> | \$ <u><u>257,628</u></u> | \$ <u><u>151,028</u></u> | \$ <u><u>2,570,300</u></u> | \$ <u><u>1,456</u></u> |

UNION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2008

| | Brucellosis and Tuberculosis Eradication | Auto License and Use Tax | Anatomical Gift, Public Awareness and Transportation | Prairie Solid Waste Agency |
|---|---|-----------------------------------|--|-------------------------------------|
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year | \$ <u>1,297</u> | \$ <u>244,332</u> | \$ <u>6</u> | \$ <u>1,493,873</u> |
| Additions: | | | | |
| Property and other County tax | 1,145 | - | - | - |
| State tax credits | 69 | - | - | - |
| Contract law enforcement | - | - | - | - |
| Office fees and collections | - | - | - | - |
| Auto license, use tax, drivers license and postage | - | 2,821,653 | - | - |
| Solid waste fees | - | - | - | 918,260 |
| Interest | - | - | - | 77,077 |
| Assessments | - | - | - | - |
| Trusts | - | - | - | - |
| Solid waste disposal note proceeds | - | - | - | 1,489,062 |
| Miscellaneous | - | - | 118 | 62,358 |
| Total additions | <u>1,214</u> | <u>2,821,653</u> | <u>118</u> | <u>2,546,757</u> |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | - | 117,811 | - | - |
| To other governments | 1,218 | 2,736,345 | 122 | 2,240,614 |
| Trusts paid out | - | - | - | - |
| Total deductions | <u>1,218</u> | <u>2,854,156</u> | <u>122</u> | <u>2,240,614</u> |
| Balances end of year | \$ <u><u>1,293</u></u> | \$ <u><u>211,829</u></u> | \$ <u><u>2</u></u> | \$ <u><u>1,800,016</u></u> |

See accompanying independent auditor's report.

| <u>Law Enforcement Commission</u> | <u>Empowerment Board</u> | <u>Emergency Management</u> | <u>Advance Tax</u> | <u>Tax Sale Redemption</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Total</u> |
|---|------------------------------|---------------------------------|-------------------------|--------------------------------|---|-----------------------------|
| \$ <u>7,806</u> | \$ <u>119,295</u> | \$ <u>1,446</u> | \$ <u>42,758</u> | \$ <u>276</u> | \$ <u>528</u> | \$ <u>11,144,143</u> |
| - | - | - | - | - | - | 9,340,788 |
| - | - | - | - | - | - | 505,388 |
| 93,136 | - | - | - | - | - | 93,136 |
| - | - | - | - | - | 2,898 | 256,240 |
| - | - | - | - | - | - | 2,821,653 |
| - | - | - | - | - | - | 918,260 |
| - | 1,361 | 236 | - | - | 8 | 78,682 |
| - | - | - | - | - | - | 5,519 |
| - | - | - | 55,401 | 430,505 | - | 1,088,236 |
| - | - | - | - | - | - | 1,489,062 |
| 2,309 | 269,351 | 83,881 | - | - | - | 428,287 |
| <u>95,445</u> | <u>270,712</u> | <u>84,117</u> | <u>55,401</u> | <u>430,505</u> | <u>2,906</u> | <u>17,025,251</u> |
| - | - | - | - | - | - | 274,561 |
| 96,170 | 295,122 | 73,941 | - | - | 2,982 | 14,700,982 |
| - | - | - | 56,409 | 430,771 | - | 1,091,063 |
| <u>96,170</u> | <u>295,122</u> | <u>73,941</u> | <u>56,409</u> | <u>430,771</u> | <u>2,982</u> | <u>16,066,606</u> |
| \$ <u><u>7,081</u></u> | \$ <u><u>94,885</u></u> | \$ <u><u>11,622</u></u> | \$ <u><u>41,750</u></u> | \$ <u><u>10</u></u> | \$ <u><u>452</u></u> | \$ <u><u>12,102,788</u></u> |

UNION COUNTY

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
LAW ENFORCEMENT COMMISSION FUND
Year Ended June 30, 2008

Additions:

Contributions from other governmental units:

| | | |
|-----------------|---------------|-----------|
| Union County | \$ 46,568 | |
| City of Creston | <u>46,568</u> | \$ 93,136 |

| | | |
|---------------|--|---------------|
| Miscellaneous | | <u>2,309</u> |
| | | <u>95,445</u> |

Deductions:

| | | |
|--|--------------|---------------|
| Office supplies | 4,253 | |
| Telephone | 12,688 | |
| Computer software maintenance and upgrades | 17,430 | |
| Inmate supplies | 2,289 | |
| Contractual services | 9,848 | |
| Janitorial | 4,117 | |
| Utilities | 29,786 | |
| Sanitation | 1,940 | |
| Repairs and maintenance | 9,376 | |
| Insurance | 1,435 | |
| Equipment | 1,898 | |
| Miscellaneous | <u>1,110</u> | <u>96,170</u> |

| | | |
|-----|--|-------|
| Net | | (725) |
|-----|--|-------|

| | | |
|---------------------------|--|--------------|
| Balance beginning of year | | <u>7,806</u> |
|---------------------------|--|--------------|

| | | |
|---------------------|--|-----------------|
| Balance end of year | | <u>\$ 7,081</u> |
|---------------------|--|-----------------|

See accompanying independent auditor's report.

UNION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

| | Modified Accrual Basis | | | |
|--------------------------------------|------------------------|---------------------|---------------------|---------------------|
| | 2008 | 2007 | 2006 | 2005 |
| Revenues: | | | | |
| Property and other County tax | \$ 4,520,243 | \$ 4,175,010 | \$ 3,926,941 | \$ 3,499,594 |
| Interest and penalty on property tax | 41,892 | 43,384 | 49,311 | 68,137 |
| Intergovernmental | 3,599,201 | 2,864,507 | 2,816,113 | 3,071,775 |
| Licenses and permits | 21,125 | 23,685 | 18,653 | 18,918 |
| Charges for service | 502,356 | 425,628 | 420,238 | 424,541 |
| Use of money and property | 135,541 | 182,316 | 152,784 | 107,413 |
| Miscellaneous | 77,319 | 111,702 | 107,292 | 58,245 |
| Total | <u>\$ 8,897,677</u> | <u>\$ 7,826,232</u> | <u>\$ 7,491,332</u> | <u>\$ 7,248,623</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 1,254,085 | \$ 1,220,990 | \$ 1,171,759 | \$ 1,117,032 |
| Physical health and social services | 417,852 | 283,170 | 345,669 | 297,102 |
| Mental health | 1,844,765 | 1,640,412 | 1,573,478 | 1,389,755 |
| County environment and education | 435,937 | 364,017 | 386,967 | 282,238 |
| Roads and transportation | 3,218,057 | 2,740,437 | 2,271,050 | 2,397,005 |
| Government services to residents | 399,743 | 383,077 | 505,397 | 332,205 |
| Administration | 926,442 | 945,591 | 848,301 | 795,600 |
| Debt service | 644,425 | 519,949 | 518,399 | 516,781 |
| Capital projects | 687,139 | 238,820 | 540,593 | 95,516 |
| Total | <u>\$ 9,828,445</u> | <u>\$ 8,336,463</u> | <u>\$ 8,161,613</u> | <u>\$ 7,223,234</u> |

See accompanying independent auditor's report.

UNION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | FY 08 | \$ <u>8,463</u> |
| U.S. Department of Homeland Security: | | | |
| Iowa Department of Public Defense: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR1705 | 78,700 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR1727 | 187,189 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR1737 | <u>196,633</u> |
| | | | <u>462,522</u> |
| Emergency Management Performance Grants | 97.042 | FY 08 | <u>29,026</u> |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | FY 08 | <u>9,178</u> |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | FY 08 | <u>2,229</u> |
| Foster Care - Title IV-E | 93.658 | FY 08 | <u>5,381</u> |
| Adoption Assistance | 93.659 | FY 08 | <u>1,280</u> |
| State Children's Insurance Program | 93.767 | FY 08 | <u>77</u> |
| Medical Assistance Program | 93.778 | FY 08 | <u>11,691</u> |
| Social Services Block Grant | 93.667 | FY 08 | <u>6,021</u> |
| Social Services Block Grant | 93.667 | FY 08 | <u>62,822</u> |
| | | | <u>68,843</u> |
| Total | | | \$ <u>598,690</u> |

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Union County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Union County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Union County's financial statements that is more than inconsequential will not be prevented or detected by Union County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Union County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Union County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 27, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Union County:

Compliance

We have audited the compliance of Union County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Union County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Union County's compliance with those requirements.

In our opinion, Union County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Union County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Union County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Union County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
March 27, 2009

UNION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Union County did not qualify as a low-risk auditee.

UNION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Financial Reporting – During the audit, we identified material amounts of receivables, payables, deferred revenue and capital asset additions not recorded in the County’s financial statements. We also noted material differences in accumulated depreciation for capital assets. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables, deferred revenue and capital asset additions are identified and included in the County’s financial statements and that capital asset depreciation is properly calculated.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

- II-B-08 General Ledger – We noted that disbursements for the Internal Service, Employee Group Health Fund are entered into the County’s general ledger when the checks clear the bank, rather than when the checks are written. At June 30, 2008, outstanding checks of \$39,951 and \$6,744 of checks written and cashed in June were not included in the general ledger. Adjustments were made to properly report these items in the financial statements.

Recommendation – All disbursements should be recorded in the general ledger when the checks are actually written.

Response – We will properly record all disbursements in the future.

Conclusion – Response accepted.

UNION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

UNION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in any County function. However, disbursements in the water grid department exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Appropriations will be watched more closely by the departments in the future.

Conclusion – Response accepted.

- IV-B-08 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-08 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-08 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

UNION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-J-08 Financial Condition – The Special Revenue, Mental Health Fund had a negative fund balance of \$345,837 at June 30, 2008. In addition, the governmental activities had an unrestricted net assets deficit of \$129,836. During the year ended June 30, 2008, the Mental Health Fund deficit worsened by \$172,094 and the unrestricted net assets of the governmental activities decreased by \$709,452.

Recommendation – The County needs to investigate alternatives to return the Mental Health Fund and the governmental activities to sound financial conditions.

Response – We will work on restoring the Mental Health Fund and the governmental activities to sound financial conditions.

Conclusion – Response accepted.

- IV-K-08 Credit Card Policy – We noted that the County has credit cards issued in the County's name but has no adopted policy or guidelines to control the usage of these credit cards.

Recommendation – The County should adopt a formal credit card policy defining guidelines as to usage, maximum limits, support documentation, and custody of the credit cards.

Response – We will adopt a credit card policy to address these items.

Conclusion – Response accepted.

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